

Message Text

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PAGE 01 PARIS 19797 301750Z

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ACTION EB-07

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR EEC ETRD

SUBJECT: PARIS SUGAR MARKET DEVELOPMENTS

1. NEGOTIATIONS BETWEEN LONGS AND SHORTS FOR SETTLEMENT OF OPEN POSITIONS ARE REACHING A CLIMAX. THE SHORTS MADE AN OFFER TO SETTLE AT 5700 FRANCS PER TON CONDITIONAL UPON PRIOR PAYMENT OF AMOUNTS DUE TO ACLI AND OTHERS FOR CLOSED POSITIONS. THESE CLAIMS TOTAL 71 MILLION FRANCS (OVER \$16 MILLION). THE NEW PROVISIONAL ADMINISTRATOR OF THE CAISSE DE LIQUIDATION HAS MET WITH ACLI LAWYERS AND INDICATED HIS WILLINGNESS TO HAVE THE CAISSE MAKE A PAYMENT, PERHAPS 23 MILLION FRANCS TO SHOW GOOD FAITH, BUT HE REJECTED THE IDEA OF PAYMENTS CONDITIONAL ON ACCEPTANCE BY THE LONGS OF THE 5700 FRANC OFFER. THE SHORTS HAVE TOLD PESSON THEY WILL KEEP THEIR OFFER OPEN UNTIL AUGUST 15. THEY HOPE TO RECEIVE THE INITIAL PAYMENT, BUT SO FAR THEY HAVE RECEIVED NOTHING.

2. MEANWHILE THE DEFENSE COMMITTEE OF THE PRIVATE SPECULATORS HAS URGED THE LONGS TO INITIATE LAWSUITS CALLING FOR CANCELLATION OF ALL OBLIGATIONS AND RETURN OF THEIR DEPOSITS (MARGINS) BASED ON A 1928 LEGAL

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PAGE 02 PARIS 19797 301750Z

PRECEDENT DURING A SUGAR MARKET CRISIS. MANY SUCH

SUITS HAVE BEEN FILED, BUT THERE CAN BE NO FURTHER COURT CONSIDERATION UNTIL SEPTEMBER.

3. ACCORDING TO ACLI LAWYERS, SHAREHOLDERS OF THE NEW CLEARING BANK WHICH GOF WANTS TO OPEN IN SEPTEMBER, ARE ATTEMPTING TO HAVE ASSETS OF THE CAISSE PERTAINING TO COCOA AND COFFEE TRANSACTIONS TRANSFERRED TO THE NEW BANK. THEY ALSO SEE INCREASING DANGER THAT PESSON MAY CHOOSE THE EASY WAY OUT OF CURRENT PROBLEMS BY DECLARING THE CAISSE BANKRUPT. THIS WOULD LEAVE CLAIMANTS FOR SETTLEMENT OF CLOSED POSITIONS HOLDING EMPTY BAG. IN SUCH AN EVENT, ESPECIALLY IF IMPORTANT ASSETS OF THE CAISSE HAD ALREADY BEEN TRANSFERRED TO THE NEW BANK, FEELINGS WOULD BE STRONG AND SOME CREDITORS OF THE CAISSE WOULD BE PREPARED (ACCORDING TO ACLI LAWYERS) TO SUE THE BARQUE NATIONALE DE PARIS, THE CREDIT LYONNAIS AND OTHER SHAREHOLDERS OF THE NEW BANK.

4. THE EMBASSY WILL EMPHASIZE TO APPROPRIATE GOF OFFICIALS IMPORTANCE OF SETTLEMENT BEFORE SITUATION DETERIORATES FURTHER.

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